

EXHIBIT F

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-K
(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: **December 31, 2018**

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from _____ to _____

Commission File Number **001-32698**

MGT CAPITAL INVESTMENTS, INC.
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

13-4148725

(I.R.S. Employer
Identification No.)

**512 S. Mangum Street, Suite 408
Durham, NC**

(Address of principal executive offices)

27701

(Zip Code)

(914) 630-7430

(Registrant's telephone number, including area code)

Securities registered under section 12(b) of the Act:
common stock, par value \$0.001 per share

Securities registered under section 12(g) of the Act:
Not applicable

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer ☐

Non-accelerated filer ☐

Emerging growth company ☐

Accelerated filer ☐

Smaller reporting company ☒

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to section 13(a) of the Exchange Act. [☐]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [☐] No [X]

As of June 30, 2018, the last day of the registrant's most recently completed second fiscal quarter; the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$49,154,105.

As of April 15, 2019, the registrant had outstanding 195,770,183 shares of common stock, \$0.001 par value. (the "Common Stock")

MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES
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(in thousands, except share and per-share amounts)

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NOTE REGARDING FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K and other written and oral statements made from time to time by us may contain forward-looking statements. Forward-looking statements can be identified by the use of words such as “expects,” “plans,” “will,” “forecasts,” “projects,” “intends,” “estimates,” and other words of similar meaning. One can identify them by the fact that they do not relate strictly to historical or current facts. These statements are likely to address our growth strategy, financial results and product and development programs. One must carefully consider any such statement and should understand that many factors could cause actual results to differ from our forward looking statements. These factors may include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. No forward-looking statement can be guaranteed and actual future results may vary materially.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “Risk Factors” and the risks set out below, any of which may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

- The uncertainty of profitability based upon our history of losses;
- Risks related to failure to obtain adequate financing on a timely basis and on acceptable terms to continue as going concern; and
- Other risks and uncertainties related to our business plan and business strategy.

This list is not an exhaustive list of the factors that may affect any of our forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on our forward-looking statements. Forward looking statements are made based on management’s beliefs, estimates and opinions on the date the statements are made and we undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Information regarding market and industry statistics contained in this Annual Report on Form 10-K is included based on information available to us that we believe is accurate. It is generally based on industry and other publications that are not produced for purposes of securities offerings or economic analysis. We have not reviewed or included data from all sources. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the additional uncertainties accompanying any estimates of future market size, revenue and market acceptance of products and services. As a result, investors should not place undue reliance on these forward-looking statements.

As used in this annual report, the terms “we”, “us”, “our”, “MGT” and the “Company” mean MGT Capital Investments, Inc. and its subsidiaries, unless otherwise indicated.

All dollar amounts set forth in this Annual Report as of and for the year ended December 31, 2018 on this Form 10-K are in thousands, except per-share amounts.

PART I**Item 1. Business**

MGT Capital Investments, Inc. is a Delaware corporation, incorporated in 2000. The predecessor of the Company was originally incorporated in Utah in 1977. Our corporate office is located in Durham, North Carolina. MGT was formerly comprised of the parent company and its wholly-owned subsidiaries MGT Cybersecurity, Inc., Medicsight, Inc., MGT Sports, Inc. MGT Studios, Inc. (“MGT Studios”), MGT Interactive, LLC, MGT Gaming, Inc., MGT Mining One, Inc. and MGT Mining Two, Inc., and MGT Sweden AB. MGT Studios also owned a controlling minority interest in the subsidiary M2P Americas, Inc. During the first quarter of 2019, MGT dissolved all its wholly-owned subsidiaries excluding MGT Sweden AB.

Cryptocurrency Mining Business*Industry Summary*

Bitcoin is a world-recognized cryptocurrency, which can be traded and converted into major fiat currencies on cryptocurrency exchanges. Cryptocurrencies are a medium of exchange that are transacted through and recorded on a decentralized distributed ledger system, called the “Blockchain.” The Blockchain is built by a chronological addition of transactions, which are grouped into blocks. Each new block requires a mathematical problem to be solved before it can be confirmed and added to the Blockchain. The speed at which these mathematical problems are solved is called Hash Rate. It represents the overall computing power of the network and is measured in Hashes per second (“H/s”). The complexity of these problems, also referred to as mining difficulty, increases with the network’s growing Hash Rate.

Bitcoin mining entails solving these complex mathematical problems using custom designed and programmed application-specific integrated circuit (“ASIC”) computers (also referred to as “miners”). Bitcoin miners perform a vital function on the Bitcoin Blockchain network, by performing these Hash calculations and adding transactions blocks to the Blockchain ledger. When a miner is successful in adding a block to the Blockchain, it is rewarded with a fixed number of Bitcoin; a miner can also be compensated by network transaction fees.

Additional information about Bitcoin, Blockchain and cryptocurrencies can be found on publicly available educational sources such as www.Bitcoin.org.

Our Operations

In September 2016, we commenced our Bitcoin mining operations in the Wenatchee Valley area of central Washington. Throughout 2017, we expanded our mining capacity with the purchase of additional Bitcoin mining machines and by entering into hosting and power agreements with Washington facilities owners. We have also entered into management agreements with third party investors whereby the investors purchased the mining hardware, and we receive both a fee to manage the mining operations plus one-half of the net operating profit.

Towards the end of 2017, we determined that there was inadequate electric power in Washington to support our growth, and we moved swiftly to find a new facility to conduct our mining operations. By the end of 2017, we made the decision to move our principal mining operations to northern Sweden, a geographic location with historically low ambient temperatures and available inexpensive electricity. We entered into a hosting agreement (the “Hosting Agreement”) with Beacon Leasing LLC (“Beacon”), pursuant to which Beacon agreed to deliver a turn-key solution in northern Sweden with up to 15 megawatts of electricity capacity, including a facility with power, cooling, and hosting services for a fixed price of \$810 per month. The facility in Sweden is owned by the city of Älvsbyn and leased by a subsidiary of Beacon. Beacon committed to provide a fully functional facility by the end of March 2018. The Hosting Agreement required us to pay \$1,620 to Beacon, representing the first and last month of service. During the first quarter of 2018, we took delivery of an additional 2,000 Bitcoin mining machines in Sweden and moved 4,300 machines (including 2,100 investor-owned machines) from Washington to Sweden.

Beacon failed to deliver the fully built out facility and necessary power supply levels required by us by the end of March 2018. Through the first quarter of 2018 and into the second quarter, our personnel made visits to Sweden and assisted Beacon with efforts to get the facility up and running. We also advanced additional funds to Beacon to maximize operational capacity as quickly as possible. During April 2018, we became involved in the design and setup of the Sweden facility due to concern that Beacon may have overstated their construction abilities and financial capacity.

On May 16, 2018, we were informed that none of the amounts due from Beacon to the electric utility serving the Älvsbyn facility had been paid and that the utility would begin shutting down the electricity to the Älvsbyn facility. On the same day, we notified Beacon that it was in material breach of the Hosting Agreement. In order to avoid a shutdown of the facility and a suspension of mining operations, we paid the utility provider \$368, as a good faith deposit. During the three months ended September 30, 2018, we paid an additional aggregate of \$947 to the utility provider for power consumed.

Subsequent to May 16, 2018, we intensified our efforts to determine the extent of Beacon’s non-performance under the Hosting Agreement. Management made several more trips to Sweden to supervise the completion of the facility as well as investigate Beacon’s accounting records. We determined that Beacon also was faced with unpaid invoices from various material and service providers to the facility.

Beginning in late May 2018, we took steps to become the direct operator of the Swedish facility to gain control of the situation, protect our assets, and maximize operational capacity as quickly as possible. These actions included paying some of the outstanding amounts owed by Beacon in order to maintain key vendor relationships needed to complete the facility. We also formed MGT Sweden AB in anticipation of assuming the building lease and the power agreements.

Continuing issues arising from poor engineering and demands from the electric utility forced us to devote a significant amount of time and effort to the operations in Sweden. Further, we determined that the financial investment to fully assume the position of Beacon was excessive. Simultaneously, based on an analysis of available facilities in the United States, we concluded that the United States provided hosting opportunities for us. On September 24, 2018, the combination of these factors led us to decide to forgo any further monetary investment in Sweden. We have subsequently relocated all of the miners in Sweden to facilities in Colorado and Ohio.

As of December 31, 2018, MGT owned and operated approximately 500 miners located in a leased facility in Quincy, Washington. Prior to the relocation of the mining assets to the United States, the Company conducted a physical observation concluding there were approximately 5,750 operating machines in Sweden. In connection with the relocation to the U.S., approximately 3,000 machines were shipped to Colorado and 2,750 machines were shipped to Ohio. Of the 5,750 machines relocated to the U.S., 3,800 of these machines are owned by the Company, while the remaining are investor owned. All miners owned or managed by us are S9 Antminers sold by Bitmain Technologies LTD. In addition to the S9 Antminers, we own 50 custom designed GPU-based Ethereum mining rigs. During the year ended December 31, 2018, we mined 245 Bitcoin for total revenue of \$2,010. In addition, the miners we operate pursuant to the management agreements mined 184 Bitcoin during the same period.

Because the price of Bitcoin has steadily decreased during 2018, and throughout the first quarter of 2019, the Company decided it is not economically feasible to commence mining operations in Colorado or Ohio. Until the price of Bitcoin rises, the Company does not plan to commence mining with these machines.

Management Agreements

On October 12, 2017, we entered into two management agreements (each, a “Management Agreement”, collectively “Management Agreements”) with two accredited investors, Deep South Mining LLC and BDLM, LLC. On November 21, 2017, we entered into a third management agreement with another accredited investor, Buckhead Crypto, LLC (all three accredited investors together are “Users”). Each of the Users agreed on substantially similar terms to purchase an aggregate of 2,376 Bitmain Antminer S9 mining computers (the “Bitcoin Hardware”) for a total of \$3,650 to mine Bitcoin with us acting as the exclusive manager for each of the Users. In addition, the Users have agreed to pay to us, in advance, the first three months of expected electricity costs of the Bitcoin mining operations in the sum of \$691. Initial electricity cost for the first three months following delivery of the Bitcoin Hardware was reimbursed to the Users within the first three months of operations. Each Management Agreement is in effect for 24 months from the date that the Bitcoin Hardware begins mining operations, and may be terminated by mutual written agreement.

Pursuant to the Management Agreements, the Company shall provide for installation, hosting, maintenance and repair and provide ancillary services necessary to operate the Bitcoin Hardware. In accordance with each of the Management Agreements, each of the Users will gain a portion of the Bitcoin mined called the User Distribution Portion. The User Distribution Portion is 50% of the amount of Bitcoin mined net of the operating fee (10% of the total Bitcoin mined) and the electricity cost.

On February 13, 2018, the Company entered into a new management agreement with a third party with substantially the same terms as the other Management Agreements. The third party agreed to purchase 200 Bitmain Antminer S9 mining computers for a total of \$428 to mine Bitcoin with the Company acting as the exclusive manager. This management agreement is in effect for 24 months from the date that the Bitcoin Hardware begins mining operations, and may be terminated by mutual written agreement.

On February 28, 2018, the Company and Buckhead Crypto, LLC terminated their Management Agreement. The Company agreed to purchase the Bitcoin mining machines and the prepaid electricity from Buckhead Crypto, LLC for an aggregate amount of \$767.

Bitcoin And Blockchain Overview

A Bitcoin is one type of a digital asset that is issued by, and transmitted through, an open source, math-based protocol platform using cryptographic security (the “Bitcoin Network”). The Bitcoin Network is an online, peer-to-peer user network that hosts the public transaction ledger, known as the “Blockchain,” and the source code that comprises the basis for the cryptography and math-based protocols governing the Bitcoin Network. No single entity owns or operates the Bitcoin Network, the infrastructure of which is collectively maintained by a decentralized user base. Bitcoin can be used to pay for goods and services or can be converted to fiat currencies, such as the US Dollar, at rates determined on Bitcoin exchanges or in individual end-user-to-end-user transactions under a barter system.

Bitcoins are “stored” or reflected on the digital transaction ledger known as the “Blockchain,” which is a digital file stored in a decentralized manner on the computers of each Bitcoin Network user. The Blockchain records the transaction history of all Bitcoin in existence and, through the transparent reporting of transactions, allows the Bitcoin Network to verify the association of each Bitcoin with the digital wallet that owns them. The Bitcoin Network and Bitcoin software programs can interpret the Blockchain to determine the exact Bitcoin balance, if any, of any digital wallet listed in the Blockchain as having taken part in a transaction on the Bitcoin Network.

The Bitcoin Network is decentralized and does not rely on either governmental authorities or financial institutions to create, transmit or determine the value of Bitcoin. Rather, Bitcoin are created and allocated by the Bitcoin Network protocol through a “mining” process subject to a strict, well-known issuance schedule. The value of Bitcoin is determined by the supply and demand of Bitcoin in the Bitcoin exchange market (and in private end-user-to-end-user transactions), as well as the number of merchants that accept them. As Bitcoin transactions can be broadcast to the Bitcoin Network by any user’s Bitcoin software and Bitcoin can be transferred without the involvement of intermediaries or third parties, there are little or no transaction costs in direct peer-to-peer transactions on the Bitcoin Network. Third party service providers such as Bitcoin Exchanges and Bitcoin third party payment processing services may charge significant fees for processing transactions and for converting, or facilitating the conversion of, Bitcoin to or from fiat currency.

Miners dedicate substantial resources to mining. Given the increasing difficulty of the target established by the Bitcoin Network, current miners must invest in expensive mining devices with adequate processing power to hash at a competitive rate.

Bitcoin is an example of a digital asset that is not a fiat currency (i.e., a currency that is backed by a central bank or a national, supranational or quasi-national organization) and are not backed by hard assets or other credit. As a result, the value of Bitcoin is determined by the value that various market participants place on Bitcoin through their transactions.

The cryptocurrency markets have grown rapidly in both popularity and market size. These markets are local, national and international and include an ever-broadening range of products and participants. The United States Securities and Exchange Commission (the “SEC”), and other governmental agencies around the world, are evaluating the cryptocurrency markets and are likely to institute new rules and regulations within this market to protect investors and such regulations could result in the restriction of the acquisition, ownership, holding, selling, use or trading of our common stock.

Legacy Businesses

Cybersecurity

On May 9, 2016, MGT entered into an asset purchase agreement to acquire certain assets owned by D-Vasive, Inc. (“D-Vasive”), a company in the business of developing and marketing certain privacy and anti-spy applications. Pursuant to the terms of the agreement, the Company would purchase assets including applications for use on mobile devices, intellectual property, customer lists, databases, project files and licenses. The proposed purchase price for D-Vasive was \$300 in cash and 23.8 million shares of MGT common stock.

On May 26, 2016, the Company agreed to acquire certain technology and assets of Demonsaw LLC (“Demonsaw”), a company in the business of developing and marketing secure and anonymous information sharing applications. Pursuant to the terms of this agreement, the Company would purchase assets including the source code for the Demonsaw solution, intellectual property, customer lists, databases, project files and licenses. The proposed purchase price for Demonsaw was 20.0 million shares of MGT common stock.

On July 7, 2016, and prior to the closing of either of the above transactions, the Company and Demonsaw terminated their agreement. Simultaneously, D-Vasive entered an agreement with the holders of Demonsaw’s outstanding membership interests, whereby D-Vasive would purchase all such membership interests. Accordingly, the proposed purchase price for D-Vasive (inclusive of the Demonsaw assets) was increased to 43.8 million shares of MGT common stock.

Both D-Vasive and Demonsaw were partly owned by Future Tense Secure Systems (“FTS”), an entity controlled by the wife of cybersecurity pioneer John McAfee, and as an integral part of the acquisition, Mr. McAfee would become Chairman and Chief Executive Officer of MGT, and the Company would enter into a consulting agreement with FTS.

On August 8, 2016, the Company filed a Definitive Proxy Statement to solicit, among other things, shareholder approval of the D-Vasive acquisition, at the Annual Meeting of Stockholders. On September 8, 2016, shareholder approval was obtained. However, on September 19, 2016, the New York Stock Exchange (the “Exchange”) informed the Company that it would not approve for listing on the Exchange the 43.8 million shares required to be issued to complete the closing of the D-Vasive acquisition, resulting in the termination of the acquisition.

In March 2017, MGT purchased 46% of the outstanding membership interests of Demonsaw from FTS for 2.0 million shares of MGT common stock.

Notwithstanding the termination of the D-Vasive acquisition, John McAfee agreed to join MGT in November 2016 and served as Chairman and CEO until August 2017, at which time he was appointed Chief Cybersecurity Visionary, a position he held until his relationship with the Company ended in January 2018.